

Memorandum

TO: HONORABLE MAYOR,
CITY COUNCIL

FROM: Del D. Borgsdorf
Harry S. Mavrogenes

SUBJECT: SEE BELOW

DATE: 10-20-04

Council District: Citywide
SNI Area: All

**SUBJECT: EXTENSION OF PARKLAND IN-LIEU FEE VOUCHER PROGRAM
AND SUSPENSION OF LOW-INCOME HOUSING EXEMPTION**

REASON FOR ADDENDUM

The suspension of the exemption of fees and the corresponding subsidy for payment of in-lieu fees by the Redevelopment Agency (Agency) for low-income units under the Parkland Dedication Ordinance (PDO) and Park Impact Ordinance (PIO) is scheduled to end on November 1, 2004. City Council action is necessary to adopt an ordinance amending the PDO and PIO to extend the low-income voucher program through December 31, 2005. To continue the low-income voucher program with minimal interruption will require the City Council to consider the first reading of this ordinance change on October 26, 2004, and the second reading on November 2, 2004.

RECOMMENDATIONS

- (a) Approval of an ordinance by the City Council amending Chapters 14.25 (Park Impact Ordinance) and 19.38 (Parkland Dedication Ordinance) of the San José Municipal Code, in order to continue the suspension of the exemption for units affordable to low-income residents until December 31, 2005, and to extend the Parkland In-Lieu Fee Voucher Program for eligible low-income residential units.
- (b) Adoption of resolutions by the City Council and the Redevelopment Agency Board approving the Parkland In-Lieu Fee Voucher Program for the payment of subsidized parkland fees for low-income units by the Redevelopment Agency.

BACKGROUND

In 1998, the City Council adopted comprehensive amendments to the PDO, Chapter 19.38 of the San José Municipal Code and to the PIO, Chapter 14.25 of the San José Municipal Code. Consistent with the State of California Quimby Act, both the PDO and PIO require developers of

new residential projects to dedicate parkland, construct park improvements, or pay equivalent Park In-Lieu Fees for neighborhood and community-serving parks in accordance with the standard of a proportionate amount necessary to provide three acres per 1,000 residents.

The amendments to the PDO and PIO, among other things, suspended the exemptions for low-income residential units subject to low-income affordability restrictions. The suspension was first introduced as part of the major revisions to the PDO and PIO in 1998 with a sunset date of June 30, 2001. The program was extended in 2001 to June 30, 2004. On May 25, 2004 (Item 10.1) the program was extended to November 1, 2004, in order to allow the Redevelopment Agency the time to analyze its ability to continue to fund this program in the future.

Under the current Parkland In-Lieu Fee Voucher Program (voucher program), developers of such restricted units are issued a voucher from the City's Housing Department to present to the City's Building Division in lieu of the payment of fees associated with the PDO and PIO. The City's Building Division in turn notifies PRNS of the voucher it has received. The Agency, upon being presented a billing statement by PRNS listing the vouchers that have been redeemed, then reimburses the Parks Trust Fund in the amount of the vouchers for those projects under construction. Very low-income units are also included under the definition of "low-income" units for the purpose of this program.

ANALYSIS

At the time of the PDO and PIO amendments, the City and the Agency determined that it was important to promote affordable housing goals, while providing adequate public parkland to serve new City residents, including residents of low-income residential units. Accordingly, the 1998 amendments suspended the exemption that had been in place for low and very low-income units. These amendments also made payment of the PDO and PIO fees available from the Agency through the previously described voucher program as a means to assure that the park and recreation needs of low and very low-income residents were addressed equitably.

Under the current voucher program, an eligible low-income unit must be (1) subject to recorded affordability restrictions for a minimum period of 30 years; and (2) must be utilized by a "lower-income household" as defined under State law.

The Redevelopment Agency's proposed budget maintains the current commitment to fund the Park In-Lieu Fees associated with the PDO and PIO for affordable housing projects. The subsidy for payment of in-lieu fees by the Redevelopment Agency for low-income units has provided over \$12 million to the Park Trust Fund since its inception. The Redevelopment Agency budget for FY 2004/2005 includes \$13.9 million for current projects that have obtained, or will soon obtain, building permits. In addition, the budget provides an additional \$9 million to reimburse vouchers for future projects funded by the Housing Department. The \$9 million is based on an estimate by the Housing Department of fees that may accrue from November 2004 through as late as December 2006.

However, since it is difficult to determine, in advance, the actual accrual of these fees, and that an ordinance cannot be written to run until funds run out (i.e., it must have a specific end date), staff recommends extending the program to December 31, 2005. At that time, staff will assess the number of projects that have received building permits to determine whether the \$9 million in the Agency budget can continue to subsidize the Park In-Lieu Fees associated with affordable housing projects after December 31, 2005. No Park In-Lieu Fees will be collected after January 1, 2006 for residential units with the affordability restrictions, unless the Council takes further action by ordinance to amend or repeal the low-income unit exemption.

COST IMPLICATIONS

The action being considered would provide an ordinance for the continuation of the voucher program to December 31, 2005. The Agency has already contributed \$13.9 million in its newly adopted budget for current projects that have obtained building permits. Approximately another \$9 million is shown in the Agency's 5th year to account for fees expected to accrue after November 1, 2004.

PUBLIC OUTREACH

No public outreach has occurred that is specifically related to the proposed actions. However, in developing the *Greenprint: 20-Year Strategic Plan for Parks and Community Facilities and Programs* and during the Strong Neighborhoods Initiative planning process, numerous residents of the City have said that more and upgraded parks are needed.

COORDINATION


This memorandum has been coordinated with the Parks, Recreation, and Neighborhood Services Department, the Housing Department, the City Attorney's Office, and the Agency's General Counsel.

CEQA

Not a Project.



DEL D. BORGSDORF
City Manager



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